Vietnam Manufacturing and Export Processing (Holdings) Limited
越南製造加工出口(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 422)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Financial Highlights :

（expressed in US$'million）

	Six months ended 30 June		
	2018	**2017**	**Change Amount**
• Total revenue	44.5	45.9	(1.4)
• Gross (loss) / profit	(0.6)	4.2	(4.8)
• Net loss after tax	(5.6)	(2.4)	(3.2)
• Loss per share (US$)	(0.006)	(0.003)	(0.003)

The board of directors (the "**Board**") of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "**Company**") hereby announces the unaudited consolidated financial results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018 - unaudited

	Note	Six months ended 30 June 2018 US$	2017 US$
Revenue	3	44,540,908	45,884,241
Cost of sales		(45,092,373)	(41,727,739)
Gross (loss) / profit		(551,465)	4,156,502
Other income		156,768	56,388
Distribution costs		(2,848,486)	(3,313,804)
Technology transfer fees		(598,128)	(1,056,239)
Administrative expenses		(4,341,510)	(3,873,066)
Other operating expenses		(16,333)	(25,735)
Results from operating activities		(8,199,154)	(4,055,954)
Finance income		2,121,698	1,972,876
Finance costs		(191,521)	(384,442)
Net finance income	4(a)	1,930,177	1,588,434
Share of (loss) / profit of an associate		(4,707)	33,613
Loss before taxation	4	(6,273,684)	(2,433,907)
Income tax	5	689,363	4,242
Loss for the period attributable to equity shareholders of the Company		(5,584,321)	(2,429,665)
Other comprehensive income for the period (after tax)			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements of overseas subsidiaries		(973,257)	399,135
Total comprehensive income for the period attributable to equity shareholders of the Company		(6,557,578)	(2,030,530)
Loss per share			
- Basic and diluted	6	(0.006)	(0.003)

Consolidated Statement of Financial Position

At 30 June 2018 - unaudited

	Note	At 30 June 2018 *US$*	At 31 December 2017 *US$*
Non-current assets			
Property, plant and equipment		11,677,368	14,095,943
Intangible assets		3,348	9,011
Lease prepayments		4,584,024	4,732,658
Interest in an associate		533,610	544,336
Deferred tax assets		1,994,678	1,322,531
		18,793,028	20,704,479
Current assets			
Inventories		25,311,380	18,958,820
Trade receivables, other receivables and prepayments	8	24,576,420	19,828,211
Time deposits maturing after three months		66,809,118	88,805,816
Cash and cash equivalents		29,528,593	13,356,314
Current tax recoverable		30,373	25,504
		146,255,884	140,974,665
Current liabilities			
Trade and other payables	9	19,822,836	11,726,438
Bank loans		25,252,161	23,343,521
Current tax payable		3,190	-
Provisions		733,805	814,687
		45,811,992	35,884,646
Net current assets		100,443,892	105,090,019
Net assets		119,236,920	125,794,498
Capital and reserves			
Share capital		1,162,872	1,162,872
Reserves		118,074,048	124,631,626
Total equity		119,236,920	125,794,498

NOTES TO THE INTERIM RESULTS ANNOUNCEMENT

1. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's interim financial report for the six months ended 30 June 2018, but is derived from the interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The interim financial report is unaudited, but has been reviewed by the Company's auditor, KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. The company's auditor has reported on those financial statements. The auditor's report was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments. No operating segments have been aggregated to form the following reportable segments.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2018	**2017**
	US$	*US$*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
- Manufacture and sale of motorbikes	36,873,016	36,155,192
- Manufacture and sale of spare parts and engines	7,637,002	9,691,132
- Moulds and repair services	30,890	37,917
	44,540,908	45,884,241
Disaggregated by geographical location of customers		
- Vietnam (place of domicile)	23,683,204	20,881,836
- Malaysia	11,834,664	16,030,451
- The Philippines	8,382,339	7,160,280
- Singapore	97,219	460,782
- Indonesia	90,995	144,902
- Taiwan	376,153	1,200,901
- Other countries	76,334	5,089
	44,540,908	45,884,241

(b) Information about profit or loss, assets and liabilities

	Six months ended 30 June 2018			
	Manufacture and sale of motorbikes *US$*	**Manufacture and sale of spare parts and engines** *US$*	**Moulds and repair services** *US$*	**Total** *US$*
Revenue from external Customers - recognised at "point in time"	36,873,016	7,637,002	30,890	44,540,908
Inter-segment revenue	-	13,889,195	451,954	14,341,149
Reportable segment revenue	36,873,016	21,526,197	482,844	58,882,057
Reportable segment profit / (loss) (adjusted EBIT)	(6,225,288)	(1,258,446)	5,807	(7,477,927)
Reportable segment assets at 30 June 2018	38,263,598	24,542,997	1,185,245	63,991,840
Reportable segment liabilities at 30 June 2018	10,052,893	5,837,702	311,577	16,202,172

	Six months ended 30 June 2017			
	Manufacture and sale of motorbikes *US$*	**Manufacture and sale of spare parts and engines** *US$*	**Moulds and repair services** *US$*	**Total** *US$*
Revenue from external customers	36,155,192	9,691,132	37,917	45,884,241
Inter-segment revenue	-	14,412,595	294,412	14,707,007
Reportable segment revenue	36,155,192	24,103,727	332,329	60,591,248
Reportable segment loss (adjusted EBIT)	(2,719,550)	(629,092)	(24,345)	(3,372,987)
Reportable segment assets at 31 December 2017	35,257,488	21,193,792	1,027,766	57,479,046
Reportable segment liabilities at 31 December 2017	7,191,377	4,404,695	299,994	11,896,066

The measure used for reporting segment profit or loss is adjusted earnings or loss before interest and taxes ("**adjusted EBIT**"), where "interest" is regarded as net finance income/costs. To arrive at adjusted EBIT the Group's loss is further adjusted for items not specifically attributed to individual segments, such as share of profit or loss of an associate, directors' and auditors' remuneration and other head office or corporate administration costs.

(c) Reconciliation of reportable segment profit or loss

	Six months ended 30 June 2018 US$	2017 US$
Reportable segment loss	(7,477,927)	(3,372,987)
Elimination of inter-segment profits	-	-
Reportable segment loss derived from Group's external customers	(7,477,927)	(3,372,987)
Net finance income	1,930,177	1,588,434
Share of (loss) / profit of an associate	(4,707)	33,613
Unallocated corporate expenses	(721,227)	(682,967)
Consolidated loss before taxation	(6,273,684)	(2,433,907)

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after (crediting) / charging:

	Six months ended 30 June 2018 US$	2017 US$
(a) Net finance income		
Interest income from banks	(2,121,698)	(1,972,876)
Finance income	(2,121,698)	(1,972,876)
Interest paid and payable to banks	277,936	246,367
Net foreign exchange (gain) / loss	(86,415)	138,075
Finance costs	191,521	384,442
	(1,930,177)	(1,588,434)
(b) Staff costs		
Salaries and wages	4,488,349	4,347,948
Staff welfare	1,051,098	806,353
Contributions to defined contribution retirement plans	633,263	532,943
	6,172,710	5,687,244
(c) Other items		
Amortisation of lease prepayments / intangible assets	155,484	155,382
Depreciation of property, plant and equipment	3,725,123	1,815,242
Loss on disposal of property, plant and equipment	540	-
Write-down of inventories	162,730	343,870
Research and development expenses	1,610,159	1,142,487

5. INCOME TAX

	Six months ended 30 June	
	2018	**2017**
	US$	*US$*
Current tax		
Provision for the period	3,216	-
Under / (Over)-provision in respect of prior periods	860	(4,242)
	4,076	(4,242)
Deferred tax		
Origination and reversal of temporary differences	(693,439)	-
	(689,363)	(4,242)

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax for the six months ended 30 June 2018 and 2017.

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

In accordance with the Law of Foreign Investment of 1987, as amended in 1990 and 1992 in Vietnam, provision for corporate income tax ("**CIT**") for Vietnam Manufacturing and Export Processing Co., Limited ("**VMEP**") is calculated at 18% of the taxable profits on motorbike assembling and manufacturing activities and at the rate of 10% of taxable profits on engine assembling and manufacturing activities. The applicable tax rate for profits from other operating activities is 20%.

In accordance with the Law of Foreign Investment of 1996, as amended in 2000, the Investment Law of 2006, and the Law on Corporate Income Tax of 2003 in Vietnam, the applicable tax rate for Duc Phat Molds Inc. is 20% from 2016 onwards.

In accordance with the Law of Foreign Investment of 1996, as amended in 2000 in Vietnam, the applicable CIT rate for Vietnam Casting Forge Precision Limited is 15% from 2013 onwards.

On 19 June 2013, the National Assembly in Vietnam approved the Law on amendments and supplements to a number of articles of the Corporate Income Tax Law. Accordingly, the highest income tax rate shall be reduced from 25% to 22% for 2015, and to 20% from 2016.

In accordance with the Corporate Income Tax Law of Taiwan, as amended in 2018, the applicable tax rate for Chin Zong Trading Co., Ltd. is 20% if the taxable profit for the year is above New Taiwan Dollar ("**NT$**") 120,000. Income tax is exempted if the taxable profit is below NT$120,000.

6. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the period of US$5,584,321 (six months ended 30 June 2017: US$2,429,665) and 907,680,000 ordinary shares (2017: 907,680,000 ordinary shares) in issue during the interim period.

(b) Diluted loss per share

The amount of diluted loss per share is the same as the basic loss per share for the six months ended 30 June 2018 and 2017 as there were no dilutive potential ordinary shares during the six months ended 30 June 2018 and 2017.

7. LOSS PER SHARE

No dividend has been paid or declared by the Company for the six months ended 30 June 2018 (2017: nil).

8. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2018	At 31 December 2017
	US$	*US$*
Trade receivables	11,976,920	9,065,477
Non-trade receivables	9,903,236	8,672,581
Prepayments	2,543,730	1,927,395
Amounts due from related parties		
Trade	84,887	154,534
Non-trade	67,647	8,224
	24,576,420	19,828,211

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	At 30 June 2018	At 31 December 2017
	US$	*US$*
Within 3 months	11,652,932	9,085,180
More than 3 months but within 1 year	408,875	134,831
Trade receivables, net of loss allowance	12,061,807	9,220,011

9. TRADE AND OTHER PAYABLES

	At 30 June 2018	At 31 December 2017
	US$	*US$*
Trade payables	9,888,759	3,739,769
Other payables and accrued operating expenses	4,520,888	4,658,868
Advances from customers	785,736	162,633
Amounts due to related parties		
Trade	3,950,124	1,809,282
Non-trade	677,329	1,355,886
	19,822,836	11,726,438

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At 30 June 2018	At 31 December 2017
	US$	*US$*
Within 3 months	13,756,465	5,292,246
More than 3 months but within 1 year	82,418	250,648
More than 1 year	-	6,157
	13,838,883	5,549,051

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is one of the leading manufacturers of scooters and cub motorbikes in Vietnam. Its manufacturing and assembly operations are located in Dong Nai Province (near Ho Chi Minh City) and Hanoi of Vietnam with an annual production capacity of 200,000 motorbikes. The Group's motorbikes are sold under the SYM brand name and offering a wide range of models. It also produces motorbike engines and parts for internal use and export as well as selling to overseas customers and providing services associated with moulds to make die-cast and forged metal parts.

Operation Environment

According to the report of the General Statistics Office of Vietnam, Vietnam's gross domestic product (GDP) grew by 7.08% in the first half of 2018, higher than that of 6.17% for the same period last year. The inflation rate was under control and the macroeconomic remained stable.

In the first half of 2018, according to the statistics of The Vietnam Association of Motorcycle Manufacturers, the five largest foreign direct investment manufacturers in Vietnam sold more than 1.57 million units of motorbikes in total, demonstrating the continuous expansion of foreign investment manufacturers in Vietnam, which led the Group to an intensive competition during this year.

BUSINESS REVIEW

For the six months ended 30 June 2018, the Group sold about 25,600 units of motorbikes (including about 2,600 units of scooters, 21,100 units of cubs and 1,900 units of electric motorbikes, respectively) in Vietnam, representing an increase of 10% as compared with the same period last year. It was mainly because that the Group pushed forward the launch of five new or modified motorbike models, including one scooter model namely Abela 110, which targets metropolitan female market, and four cub models namely Elegant 50, Angela 50, Galaxy 50 and Star SR 125, which provide a more diversified product offerings to students and youngsters in the first half of 2018. Besides, in response to the global trend of protecting the environment by energy saving and carbon reduction, the Group took the lead ahead of other Vietnamese motorbike manufacturers and launched two models of electric motorbikes namely EV Elite and SYM Z1 in 2017. They have become widely recognised by the market and showed improving sales. The Group exported about 36,900 units of motorbikes to ASEAN countries, representing a decrease of 1% as compared with the same period last year. It was mainly attributable to the slight impact on sales as a result of the import of low-priced motorbikes from China to Malaysia, a major market for the Group. The Group will accelerate its product research and development as well as manufacturing activities. In the first half of 2018, the Group launched new and modified cubs respectively in the high-end and mid to low-end ASEAN markets to meet diverse customer demands. The Group will continue to launch affordable and new quality products to solidify its position in ASEAN markets.

During the first half of 2018, the Group has 203 SYM-authorised stores owned by dealers to cover almost every province in Vietnam.

FINANCIAL REVIEW

The Group's revenue decreased by 3% from US$45.9 million for the six months ended 30 June 2017 to US$44.5 million for the six months ended 30 June 2018. The Group's net loss for the six months ended 30 June 2018 increased by US$3.2 million, from a net loss of US$2.4 million for the six months ended 30 June 2017 to a net loss of US$5.6 million for the six months ended 30 June 2018.

REVENUE

The Group's revenue for the six months ended 30 June 2018 was US$44.5 million, representing a decrease of US$1.4 million or 3% as compared with US$45.9 million for the six months ended 30 June 2017. The decrease was attributable to the competition from Japanese manufacturers, the Group's major competitors, who aggressively seized market share of domestic sales of motorbike in Vietnam by adopting a price-cutting strategy in the first half of 2018. Such competition posed a significant pressure on the Group. In the aspect of export, it was mainly due to the decline in the Group's sales volume in ASEAN countries which were the Group's major revenue driver. As compared with the same period last year, the Group's sales volume in ASEAN countries decreased by 1%.

The principal scooter models include ABELA, ATTILA-V, ELIZABETH, ELITE and SHARK, and cub models of ELEGANT, GALAXY, START X, AMIGO and ANGELA.

COST OF SALES

The Group's cost of sales increased by 8%, from US$41.7 million for the six months ended 30 June 2017 to US$45.1 million for the six months ended 30 June 2018. The increase was mainly attributable to increasing pressure on costs of labour, raw materials and components and assemblies, which constitute components of cost of sales. Furthermore, in order to adapt to the current consumption trend in the market, the Group launched electric motorbikes that need more sophisticated imported components, adding pressure on overall costs. As a percentage of total revenue, the Group's cost of sales increased from 91% for the six months ended 30 June 2017 to 101% for the six months ended 30 June 2018. The Group strived to decrease the production cost per unit by developing new sourcing channels and reselecting suppliers.

GROSS (LOSS) / PROFIT AND GROSS (LOSS) / PROFIT MARGIN

During the six months ended 30 June 2018, the Group recorded a gross loss and gross loss margin of approximately US$0.6 million and 1% respectively (six months ended 30 June 2017: gross profit and gross profit margin of approximately US$4.2 million and 9% respectively). It was mainly due to the decline in sales from the major sources of profit, the continued increasing cost pressure and the keen competition in the business environment, each branded manufacturers lowered their product prices which resulted in a drop of average selling price of products as discussed above.

DISTRIBUTION EXPENSES

The Group's distribution expenses decreased by 15%, from US$3.3 million for the six months ended 30 June 2017 to US$2.8 million for the six months ended 30 June 2018. Such decrease was mainly attributed to rectification of existing distribution network, a decrease of sales incentives and supporting fees to distributors.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by 10%, from US$3.9 million for the six months ended 30 June 2017 to US$4.3 million for the six months ended 30 June 2018. The expenses accounted for 10% of the Group's total revenue for the six months ended 30 June 2018. The increase was principally due to the increase of research and development expenses, in the first half of 2018, the Group strived to develop new products satisfying the customer's needs.

RESULTS FROM OPERATING ACTIVITIES

As a result of the factors discussed above, the Group's results from operating activities worsened by US$4.1 million, from a loss of US$4.1 million for the six months ended 30 June 2017 to a loss of US$8.2 million for the six months ended 30 June 2018.

NET FINANCE INCOME

The Group's net finance income increased by 19%, from US$1.6 million for the six months ended 30 June 2017 to US$1.9 million for the six months ended 30 June 2018. Such increase was mainly attributable to an increase in interest income by US$0.1 million, a decrease in finance cost by US$0.2 million and an increase in foreign exchange gain of US$0.2 million arising from fluctuation of the Vietnamese Dong against the US dollar for the period.

LOSS FOR THE PERIOD AND MARGIN

As a result of the factors discussed above, the Group's net loss for the six months ended 30 June 2018 increased by US$3.2 million, from a loss of US$2.4 million for the six months ended 30 June 2017 to a loss of US$5.6 million for the six months ended 30 June 2018. The Group's net loss margin worsened from 5% for the six months ended 30 June 2017 to 13% for the six months ended 30 June 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group's net current assets amounted to US$100.4 million (31 December 2017: US$ 105.1 million) which consisted of current assets amounting to US$146.3 million (31 December 2017: US$141.0 million) and current liabilities amounting to US$45.8 million (31 December 2017: US$35.9 million).

As at 30 June 2018, the Group had bank loans repayable within one year of US$25.3 million, including US$20.8 million denominated in US dollar and US$4.5 million denominated in Vietnamese Dong (31 December 2017: US$23.3 million, including US$17.5 million denominated in US$ and US$5.8 million denominated in Vietnamese Dong). As at 30 June 2018, the Group had no interest-bearing bank loans repayable beyond one year (31 December 2017: Nil). As at 30 June 2018, the gearing ratio was 21% (31 December 2017: 19%) calculated as the ratio of total bank loans over total equity.

As at 30 June 2018, the cash and bank balances (including bank deposits) amounted to US$96.3 million, including US$56.1 million denominated in Vietnamese Dong and US$40.2 million denominated in US dollar (31 December 2017: US$102.2 million, which mainly included US$61.1 million denominated in Vietnamese Dong and US$41.1 million denominated in US$).

The Board is of the opinion that the Group is in a healthy financial position and has sufficient resources to satisfy its working capital requirements and foreseeable capital expenditure.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

There have been no significant changes in the Group's policy in terms of exchange rate exposure. Transactions of the Group are mainly denominated in Vietnamese Dong and US dollar. The Group was not exposed to material exchange rate risk and had not employed any financial instruments for hedging purposes. The Group adopts conservative treasury policies in cash and financial management, with its cash generally placed in short-term deposits mostly denominated in Vietnamese Dong and US dollar.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group offers competitive remuneration packages to its staff in Vietnam and Taiwan, and regularly reviews its remuneration packages in light of the overall development of the Group. The Group's remuneration packages include basic salaries, bonuses, staff quarters, training and development opportunities, medical benefits, insurance plan and retirement benefits. As at 30 June 2018, the Group had 1,680 employees (30 June 2017: 1,573). The total amount of salaries and related costs for the employees for the six months ended 30 June 2018 amounted to approximately US$6.2 million (six months ended 30 June 2017: US$5.7 million).

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any contingent liabilities.

Material Acquisition and Disposal

On 26 March 2018, the Company entered into a Sale and Purchase Agreement with SY International Ltd. ("**SYI**"), a direct controlling shareholder of the Company, pursuant to which the Company has conditionally agreed to purchase and SYI has conditionally agreed to sell the capital contribution in Sanyang Motor Vietnam Company Limited, a limited liability company incorporated in Vietnam (the "**Acquisition**") at a total consideration of US$2,700,000. An extraordinary general meeting was convened on 26 June 2018 and the Acquisition was approved by the independent shareholders of the Company in such meeting. The Acquisition is expected to be completed by September 2018.

Save as disclosed in this announcement, there was no material acquisition of subsidiaries and associated companies by the Company as at the date of this announcement.

CHANGES SINCE 31 DECEMBER 2017

Save as disclosed in this announcement, since 31 December 2017, there were no other significant changes in the Group's financial position and there were no other significant changes in relation to the information disclosed under the section headed "Management Discussion and Analysis" in the annual report of the Company for the year ended 31 December 2017.

PROSPECTS

During the first half of 2018, the Vietnamese economy grew steadily and experienced a mild inflation, while its business environment remained relatively stable. Under the environment where export and investment are on the rise, in the second half of 2018, the Vietnamese government will take active steps to adjust its monetary policy in a flexible way, and implement various measures to stimulate domestic demand, with an aim to reach its target annual economic growth rate of between 6.5% and 6.7%.

Amid the tough business environment, the Group will adhere to its operating approach of focusing on its primary business, product quality and customers' satisfaction. The Group will adopt product innovation as its key strategy to further strengthen its capabilities in product design and core technology development. In the second half of 2018, the Group plans to roll out a number of new or modified motorbike models in the Vietnamese and ASEAN market so as to achieve product diversification and greater profitability, and offer consumers with environmentally-friendly and convenient products at reasonable prices. As for promotion and place of marketing, the Group will open flagship stores in four major cities in Vietnam and execute holistic sales strategies to promote its brand image. The Group will also improve its "distributor licensing system" and extend the geographical coverage of its sales and services centres in order to provide its customers with better product repair and maintenance services. In ASEAN markets, the Group will step up further to engage in marketing and promotional activities, and to provide better after-sales services overseas. The Group will launch more new motorbike models to boost and stimulate the sales volume of export.

In addition, the Group will seize all available development opportunities to enhance its long-term profitability and maximise returns to the shareholders of the Company.

APPLICATION OF IPO PROCEEDS

The proceeds from the initial public offering of the Company in December 2007, net of related listing expenses, amounted to approximately US$76.7 million. As at 30 June 2018, such net proceeds were utilised in the following manner:

	Per Prospectus US$' million	Amount utilised US$' million	Balances as at 30 June 2018 US$' million
Construction of research and development centre in Vietnam	15.0	11.7	3.3
Expanding distribution channels in Vietnam			
– Upgrading of existing facilities	4.0	4.0	–
– Establishing of new facilities	46.0	17.9	28.1
Mergers and acquisitions	9.0	1.7	7.3
General working capital	2.7	2.7	–
Total	76.7	38.0	38.7

The unutilised balance was placed with several reputable financial institutions as deposits. For further details, please see the paragraph headed "Liquidity and Financial Resources" above.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2018, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the following deviation:

Paragraph A.5 of the Code provides that an issuer should establish a nomination committee with specific written terms of reference for, among others, the following duties: (i) review the structure, size and composition of the Board, (ii) select and nominate individuals to be appointed as directors, (iii) assess the independence of independent non-executive directors, and (iv) make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors. The Company has not set up a nomination committee as all major decisions regarding the Board composition and its members are made in consultation with the Board in which all directors of the Company will participate in the process and perform the duties of a nomination committee as contemplated in the Code. The Board considers that it is not necessary to establish a nomination committee given that the current arrangements meet the objectives of the Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the directors of the Company. Having made specific enquiry of all directors of the Company, the Company confirms that the directors of the Company have complied with the required standards set out in the Model Code for the six months ended 30 June 2018.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Board, as at the date of this announcement, the Company has maintained the prescribed public float of no less than 25% under the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there were no other material events after the reporting period as at the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The unaudited interim results for the six months ended 30 June 2018 and the interim report have been reviewed by the audit committee of the Company which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements.

INTERIM DIVIDEND

The Board has resolved not to recommend payment of interim dividend for the six months ended 30 June 2018 (2017: Nil). Accordingly, no closure of the register of members of the Company is proposed.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the Company's website at www.vmeph.com. The 2018 interim report of the Company will also be published on the aforesaid websites in due course.

OUR APPRECIATION

Finally, we would like to express our gratitude to the shareholders of the Company and the suppliers and customers of the Group for their unwavering support. We would also like to thank our dedicated staff for their hard work and contribution to the Group.

By order of the Board
Vietnam Manufacturing and Export Processing (Holdings) Limited
Liu Wu Hsiung
Chairman

Hong Kong, 13 August 2018

As at the date of this announcement, the Board comprised four executive Directors, namely Mr. Liu Wu Hsiung, Mr. Lin Chih Ming, Mr. Lin Chun Yu and Mr. Chiang Chin Yung, two non-executive Directors, namely Mr. Chiu Ying Feng and Ms. Wu Li Chu and three independent non-executive Directors, namely Ms. Lin Ching Ching, Mr. Shen Hwa Rong and Ms. Wu Kwei Mei.